

TO: Secretary Paige
FROM: Theresa S. Shaw, Chief Operating Officer, Federal Student Aid
RE: FSA Weekly Report
DATE: January 2, 2003

KEY NEWS

PROGRAM INTEGRITY

Status of Pell Unprocessed Deobligations: About half of the more than 500 schools who were sent notice on November 13 of the need to resolve their negative balances by January 31, 2003, have already done so, according to the latest information from GAPS. FSA is responding to requests from schools for assistance in resolving their unprocessed deobligations.

Government-wide Debarment: FSA sent a notice on December 11, 2002, proposing to debar Ms. Brenda M. Spooner, of Columbia, SC, from receiving financial and non-financial assistance or benefits from any federal agency under procurement and non-procurement programs and activities. The proposed debarment is based on Ms. Spooner's failure to comply with the terms of the August 16, 1999, Program Participation Agreement that she entered into with the Department as director of TRC-Jan Mar Beauty Academy, Newport News, Virginia. When the school closed on December 15, 2000, thus ending its eligibility to participate in the Federal Student Aid programs, Ms. Spooner failed to provide a close-out audit report of the school's administration of the programs. Despite reminders to submit the audit, none was submitted, and the Department assessed full liability of \$437,298 against the Academy for all of its Title IV, HEA disbursements during the period January 1, 1999, to December 15, 2000. Although the Academy appealed that liability, it was upheld by an administrative decision issued on September 12, 2002. That decision became a final action of the Department on October 25, 2002, when the appeal period expired. Ms. Spooner and the Academy have failed to date to pay or arrange to pay that final liability, and, therefore, cause for debarment exists. Ms. Spooner has thirty days from receipt of the notice to submit written information in opposition to the proposed debarment.

STUDENT AID OPERATIONS

Chief Information Officer: Effective December 18, Gerald Schubert was named FSA's acting CIO. Steve Hawald now is on special assignment for the COO's office.

Enhancements to e-FAFSA: On January 1, the new 2003-2004 e-FAFSA application went live with new features, including Auto Zero EFC. This feature, long desired by the higher education community and Congress, allows the neediest families to use e-FAFSA. Prior to Auto Zero EFC, if your family had an "automatic zero Expected Family Contribution," you still had to fill out the entire electronic FAFSA. With e-FAFSA auto-

zero, you can skip irrelevant sections of the FAFSA, allowing everyone to use our most modern product.

Other enhancements include increased skip logic, which allows applicants to skip unnecessary questions (e.g., if an applicant answers “no” to the question “are you male?”, the system automatically skips the selective service question); shared edits, which ensures consistency and reduces programming and testing effort; dynamic updating, which allows FSA to update messages on the home page to tell students special news; and enhanced search capabilities.

Paper FAFSAs: The shipment of paper FAFSAs to postsecondary schools, high schools and libraries is complete. Unlike last year, we made NO automatic reductions in FAFSA orders. Planning for the 2004-2005 FAFSA development cycle began in October. FSA finished putting together the clearance package and is preparing to ask the Secretary for approval to publish the draft 2004-2005 FAFSA in the Federal Register to begin the 60-day comment period. This will initiate the 2004-2005 FAFSA clearance process.

Entrance Counseling: On December 20, Direct Loan Servicing implemented Entrance Counseling on its Web site (<http://dlservicer.ed.gov/>). The counseling formerly resided on the Loan Origination site, which will be retired.

Online Interest Calculator: The redesigned Direct Loan Web site includes a capitalized interest calculator that helps borrowers understand the consequences and effects of capitalized interest due to deferral of payments, entering repayment and exiting deferment or forbearance periods. The new Interest Capitalization Estimator shows the estimated effect of interest capitalization on a borrower's loans. A borrower is able to select the capitalization type (due to deferment, forbearance, or grace end) and is able to choose a “begin” and/or “end” date to see the results of capitalization. The calculator shows the borrower the following information: Amount of interest that will capitalize, date interest will capitalize, new fixed payment amount, fixed payment amount increase, new loan balance and the total increase in the amount they will repay over the life of loan. The calculator, which went live in November, is on www.dl.ed.gov.

Morris Brown College Fact Sheet: On December 20, in response to numerous inquiries, OPA and FSA released a fact sheet regarding Morris Brown College’s loss of accreditation. The Atlanta HBCU’s loss of accreditation means its students are no longer eligible for Title IV aid. The fact sheet was posted on FSA Web sites. The Atlanta Journal-Constitution Web site linked to our fact sheet and ran the URL in an article.

RESOLUTION OF KEY ISSUES

Nothing to report.

PUBLIC AFFAIRS

FY 2000-2001 Performance Report: On December 20, Deputy Secretary Hansen gave final approval to the FSA Performance Report covering FYs 2000 and 2001. FSA prepared the report “packages” for OCLA to deliver to key members on Capitol Hill.

ON THE HORIZON

All Hands Meeting: COO Terri Shaw plans an All Hands meeting for 1:30 p.m. ET, January 8. The meeting in Washington, D.C., will include regional staff participating via T-1 hook-up. Tentatively on the agenda are: No Child Left Behind, One-ED, and the FY03 FSA Performance Plan. Shaw will detail the plan and explain how it was developed.

CONTACT INFORMATION

Please contact Lisa Cain at 377-4003 with any questions.